

## PROMOTION OF YOUTH STARTUPS IN PERU

(TC-99-11-18-3-PE)

### EXECUTIVE SUMMARY

**Executing agency:** Asociación Pro Bienestar y Desarrollo [Association for Welfare and Development] (PROBIDE)

<b>Financing:</b>	MIF Window III-A:	US\$ 815,000
	PROBIDE and guarantors:	<u>US\$1,560,000</u>
	Total:	US\$2,375,000

<b>Terms:</b>	Execution period:	48 months
	Disbursement period:	54 months

**Objectives and description:** The **general objective** of the project is to help promote a business culture and boost private investment in the innovative business startups by the country's youth, by strengthening cooperation ties between young entrepreneurs, private enterprise, and civil society.

The **specific objective** of the project is to strengthen and expand a pilot mechanism for promoting and financing the sustainable startups by Peruvian youth.

Through national business plan competitions for youth startups, PROBIDE will review and screen the best projects. A guarantee panel made up of PROBIDE and the participating private companies and financial institutions will select the projects, which will be awarded guarantees from a Guarantee Fund. The Fund, administered by a trust in a commercial bank, will be composed of contributions in guarantees of up to US\$500,000 from private companies in Peru and a MIF contribution of up to US\$500,000 in cash. The guarantors will guarantee up to 67% of the credits granted to the winning projects at market interest rates by the commercial banks participating in the program. The private companies participating in the Fund will seek opportunities to establish business ties with the youth startups, to offer them advisory services, monitoring, and other types of business partnerships. Those ties, supported through PROBIDE monitoring, will be key in supporting the new enterprises during their startups phase and ensuring that they are consolidated over time.

This operation will support two competitions in three years that will offer guarantees for the financing of 120 youth startups which will create jobs and generate income for 500 young people. PROBIDE will use the MIF resources to consolidate the mechanisms for promoting, analyzing, and selecting new youth business proposals which will help guarantee the success of those youth startups. PROBIDE will provide a series of tools and training opportunities for the participating youth to improve their ability to plan proposals and present business plans. The operation plans to offer these opportunities to almost 8,000 young people.

**Special  
contractual  
clauses:**

Prior to the first disbursement of technical-cooperation funding, PROBIDE must submit, to the Bank's satisfaction, evidence that the Project Leader has been appointed and a team of consultants hired, according to terms of reference previously agreed upon with the Bank. PROBIDE must also submit the following documentation to the satisfaction of the IDB/MIF: (i) evidence of the availability of the counterpart resources, and the disbursement schedule; (ii) the Operating Regulations for the competitions; (iii) the terms of reference for the consultants to be hired using MIF resources during the preparation and execution phase of the first national competition under this project.

As a condition precedent to the first disbursement of resources for the Guarantee Fund (US\$500,000), PROBIDE must submit to the Bank's satisfaction: (i) agreements with the guarantors for a minimum of US\$200,000; (ii) agreements with the commercial banks in which the banks commit to issuing credit for up to 1.5 times the amount in the Fund; and (iii) evidence that the trust has been established.

Resources will be disbursed to the Private Guarantee Fund (US\$500,000) in similar amounts concurrently with the contributions of the private companies participating in the Fund, once the conditions precedent to the first disbursement have been met (see paragraph 4.4).

The technical cooperation contribution will be disbursed *pari passu* with the local contributions. In no case may disbursements of the technical-cooperation resources exceed the disbursements made as contributions to the Private Guarantee Fund (see paragraph 4.3).

The interest generated from the MIF contribution (US\$500,000) to the Private Guarantee Fund will be used to finance activities under the technical-cooperation component, such as training, monitoring and oversight. In addition, the guarantors will provide cash resources equivalent to the interest generated by the MIF contribution to the Fund to cover the operating and administrative expenses of the fund and any losses (see paragraph 3.18).

The agreement for the establishment of the trust (the Private Guarantee Fund) will specifically stipulate that the following events will be grounds for liquidation of the Fund and consequently return of the assets to the trustees (the MIF and participating companies):

- (i) investment project competitions are not held every two years, unless there are exceptional reasons acceptable to the Bank;
- (ii) PROBIDE ceases to operate, becomes inactive, or is liquidated; or
- (iii) the Fund has a delinquency rate of over 40%.

**Exceptions to  
Bank policy:**

None